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SECTION

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BUSINESS

Developer, lenders head for showdown

Lehman seeks to become owner of Grand Pier

By Thomas A. Corfman
Tribune staff reporter

Developer Raymond Chin and his lenders are headed for a showdown.

Lehman Brothers Holding Inc., one of the lenders on the stalled \$375 million Grand Pier development, is seeking to hold a Feb. 5 auction of the legal vehicle that owns the Streeterville site. Work at the site stopped almost two years ago amid a dispute over cost overruns.

The New York investment bank wants to sidestep an ongoing court foreclosure case with a separate, non-judicial proceeding in order to collect more than \$42 million allegedly due on a 3-year-old, \$22.5 million mezzanine loan, similar to a second mortgage.

Lehman Brothers filed its court claim after LaSalle Bank filed its own foreclosure case in July 2001, demanding more than \$20 million in construction financing for the \$83 million first phase of the hotel-residential-retail project.

LaSalle Bank on Tuesday amended its complaint against Chin, alleging that the developer fraudulently concealed the cost overruns. Chin also improperly spent on later phases \$1.1 million from the loan that was restricted to the first phase, LaSalle alleges.

Chin, president of Chicago-based R.M. Chin & Associates Inc., contends that Lehman is trying to prevent Cook County Circuit Court Judge Robert J. Quinn from ruling on a pending motion that would end the case in his favor. He has asked for a court order barring the auction.

One of Chin's attorneys also questioned the timing of LaSalle's new fraud allegations.

"Our response is not due until March, at which time we will challenge LaSalle's claims as being totally unfounded, both legally and factually," said P. An-



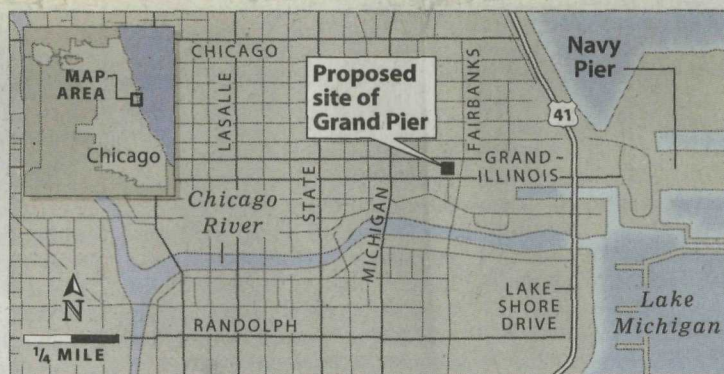
Photo for the Tribune by Warren Skalski

Construction on a giant multiuse project at Columbus Drive and Illinois Street has been stalled since May 2001 because of a dispute over cost overruns.

drew Fleming, a partner in Novack and Macey, a Chicago litigation boutique.

Work on the twin-tower development was halted in May 2001 because of a dispute with general contractor Amec International over cost overruns of as much as \$6 million.

The hard-fought case has included allegations by Chin that Norman Bobbins, LaSalle's president and chief executive, personally engineered the filing



Chicago Tribune

PLEASE SEE CHIN, PAGE 2

mercian air liner to replace the Air Force's aging fleet of KC-135 tankers.

be done inside the plant, rather than outsourced.
Tribune staff, wire reports

CHIN: Lenders have sought more security

CONTINUED FROM PAGE 1

of the foreclosure lawsuit to force Chin, his partners and Lehman Brothers into putting more money into the project when the cost overruns were discovered.

Chin's partners include Sue Ling Gin, chief executive of airline caterer Flying Food Group.

The real estate community has closely watched the lawsuit by LaSalle, one of the largest lenders during the downtown housing boom.

By seeking to foreclose outside of the court case, Lehman Brothers is asserting rights that many lenders have increasingly demanded in recent years, legal experts say. To protect themselves in the event of a default, many lenders have requested

more security in addition to a traditional mortgage or second mortgage.

Lenders have also asked that developers put up as collateral their ownership in the limited liability company that owns the land.

Mortgage foreclosures on real estate can be protracted court battles. But foreclosures on a company can be conducted under the Uniform Commercial Code, a law covering business transactions.

A UCC foreclosure is a private proceeding that can be completed in as little as two months, in part because the borrower has fewer defenses.

"It's very efficient, so the hammer is much more effective," said attorney Thomas J. Magill, a partner in the Chicago office of Quarles & Brady LLC.

Should Lehman Brothers succeed in its UCC foreclosure, it would replace Chin and his partners as owners of Grand Pier.

However, the investment bank would still have to settle LaSalle's claim for about \$23.3 million in principal and unpaid interest, as well as unpaid construction bills.

During a Tuesday court hearing, Lehman Brothers' lawyers denied any improper motive in following the UCC foreclosure procedure.

Theodore Harris, a partner in the Chicago-based law firm Ungaretti & Harris, said the investment bank waited until after the original Dec. 1 expiration of the loan to foreclose. He also pointed to Chin's failure to pay past-due property taxes of \$271,000, and said Lehman Brothers was considering completing the project itself.

HOW TO CONTACT US

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Am	4.19	+0.03	-9	CAITAdm n	11.84	...	-9	
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nst n	10.82	-0.01	-2.2	CapVal n	10.54	+0.1	+1.2	
ValZ n	13.39	+0.10	-2.5	Convrt n	5.47	+0.1	-4.7	
ed n	15.87	+0.05	-1.2	DevMktldx n	5.42	+0.1	-4.7	
npin n	8.44	+0.05	-2.1	DevMktldx n	8.54	+0.6	-2.8	
lockZ n	15.75	+0.06	-1.4	DivGr n	7.62	...	-2.4	
Bdin n	9.94	-0.02	-1	EmetMktld d n	22.64	+5.3	-2.9	
ic n	11.53	+0.08	-2.7	EqInc d n	18.16	+1.4	-2.9	
prlnv n	15.55	+0.14	-3	EqIncAdm n	35.73	+2.6	-6.1	
SecInv n	11.08	-0.02	-7	EurldxAdm n	15.22	+1.0	-6.1	
sttl n	13.38	+0.14	-1.1	Euroinsid n	41.38	+2.5	-2.0	
plncInv n	15.67	+0.06	-1.0	Europeldx n	44.57	+2.5	-2.0	
owInv n	10.09	+0.12	-8	ExplAdm n	18.37	+0.8	-2.0	
YldBdv d n	6.75	-0.02	+1.8	ExtldAdm n	18.38	+0.9	-1.9	
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